



# **U.S. Proposal for the Agricultural Negotiations**

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WTO/Hong Kong NGO Roundtable

U.S. Department of State

November 4, 2005

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# WTO/Hong Kong NGO Roundtable

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- Doha Development Agenda
  - The U.S. Proposal
  - Status of Negotiations



# Doha: An Opportunity for Trade Reform

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Increasing market access, reducing domestic support, and eliminating export subsidies will:

- Provide the best opportunity for developing country economic growth
- Improve living standards throughout the world
- Help lift millions of people out of poverty
- Emphasizes trade as the engine of economic growth

# Trade Liberalization - WTO

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- WTO negotiations – 148 countries
- Doha Development Round
  - Agriculture: 3 pillars
    - **Export competition**
      - Subsidies, state trading enterprises, food aid
    - **Market access**
      - Tariffs, quotas
    - **Domestic supports**
  - Framework agreed July '04

# WTO Framework Agreement - July 2004

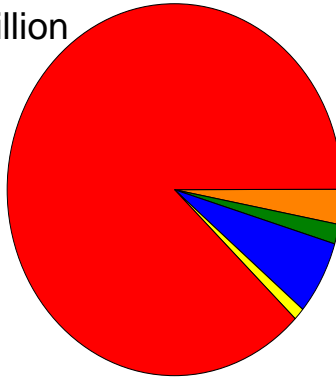
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- July '04 WTO Framework Agreement in place
  - **Export competition**
    - Eliminate export subsidies
    - Develop rules on food aid
    - Discipline export state-trading enterprises
  - **Market access**
    - Tiered approach – greater harmonization of tariffs
    - Sensitive products option
  - **Domestic support**
    - Harmonize trade-distorting support
    - Redefine the “blue box”

# Agriculture: Situation Today

## Direct Export Subsidies

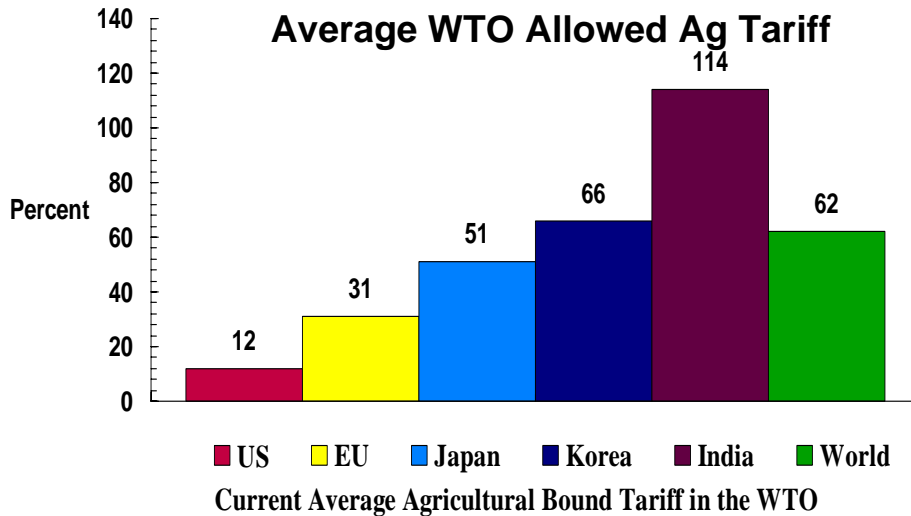
EU  
(over \$2 billion  
a year)



Other  
United States  
Switzerland  
Norway

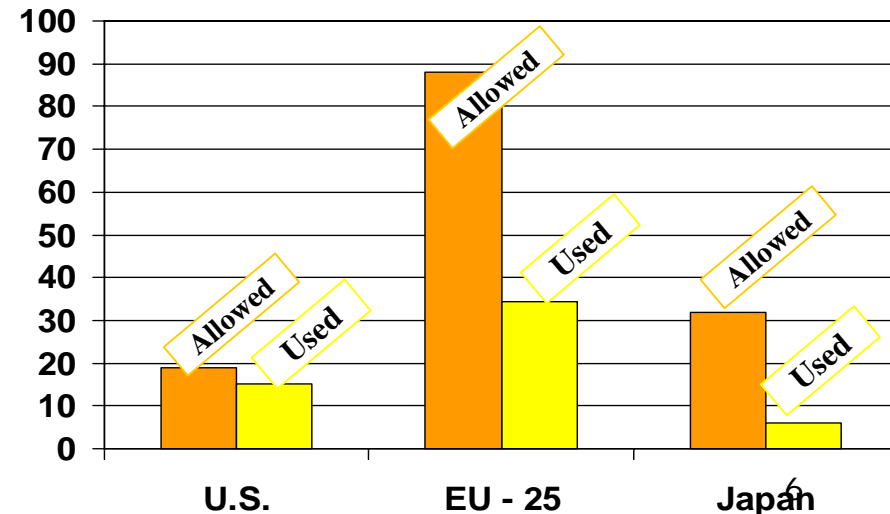
## Market Access

Average WTO Allowed Ag Tariff



## Domestic Support – amber box:

Bil \$ at current x rates





# U.S. Agricultural Proposal – Oct. 2005

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- Bold, aggressive measures for agricultural reform and fair trade
- Comprehensive reform in all three pillars by all participants
- Stage 1 (5-year implementation):
  - Substantial reductions in trade-distorting measures and tariffs;
  - Elimination of export subsidies.
- Stage 2 (5 years after stage 1):
  - Eliminate remaining trade-distorting measures.



# U.S. Proposal: Export Competition

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- 2010 for elimination
- Export credits limited to 180-day repayment
- Trade-distorting practices of STEs to be eliminated
  - Developing country exceptions
- Disciplines on food aid to prevent commercial displacement





## U.S. Proposal: Market Access

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- Progressive tariff reductions over 5 years
- Developed countries: cut tariffs 55–90%
- Tariff cap of 75%
- Sensitive products: 1%
- Lesser cuts and longer phase-in period for developing countries



# U.S. Proposal: Domestic Support

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- Reduce amber box Aggregate Measure of Support (AMS) 60%
- Reduce overall allowable trade distorting domestic support 53%
- Harmonization essential

# The Current WTO Boxes

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- **Amber:** most trade-distorting; tied to price or output; annual limit
- **Green:** none or minimally trade-distorting; decoupled support, no limit
- **Blue:** trade-distorting but has production-limiting features; no limit
- *De minimis:* up to 5% support allowed for product specific and non-product specific  
**amber**



# Where Do U.S. Farm Programs Fit?

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- **Amber** (AMS): dairy and sugar price support programs, marketing loan program (LDPs and MLGs); \$19.1 billion limit
- Non-product specific **amber**: crop insurance, previous Market Loss Assistance (meet *de minimis* test)
- **Blue**: previous deficiency payments, new counter-cyclical payments
- **Green**: direct payments, conservation, disaster, food assistance

# U.S. WTO Proposal

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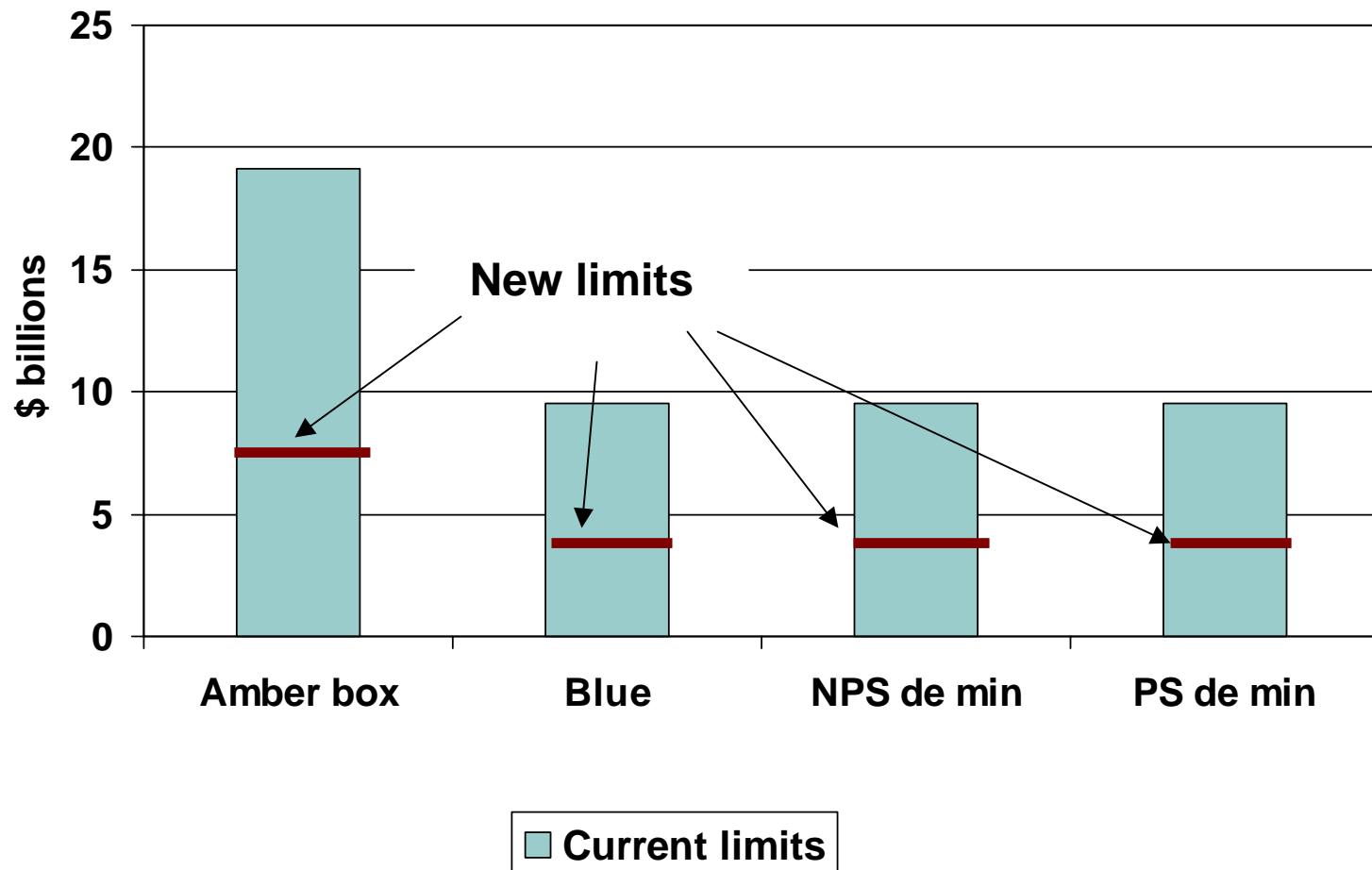
- **Amber box**: cut U.S. AMS by 60% over 5 years
- Product specific caps: 1999-01 base period
- **Blue box**: cap at 2.5% of value of production
- *De minimis*: cut 50% to 2.5% of value of production
- Overall cut: 53% for U.S.
- **Green box**: no substantial changes, no cap

# What Does the U.S. Proposal Mean for Farm Programs?

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- **Amber box**: Reduce \$19.1 billion to \$7.6 billion, 2005 AMS about \$14 billion
- **Blue box**: Allowed 2.5% of value of production - \$5 billion; current CCPs are about \$6 billion
- *De minimis*: Allowed level cut to 2.5% - \$5 billion, 2001 notification of \$6.8 billion (crop insurance, MLA)

# U.S. Proposal Represents Meaningful Reform

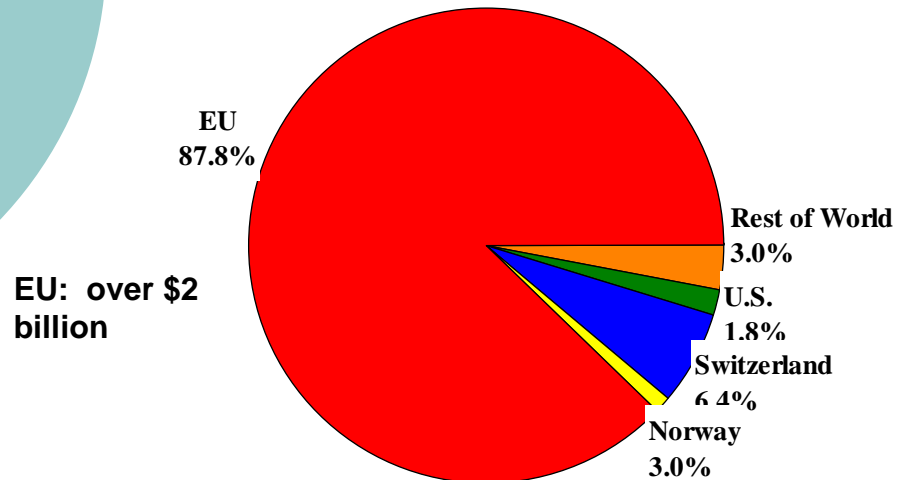


# U.S. Proposal: First Stage

## Direct Export Subsidies

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### Current



### U.S. Proposal

**Eliminated by 2010**

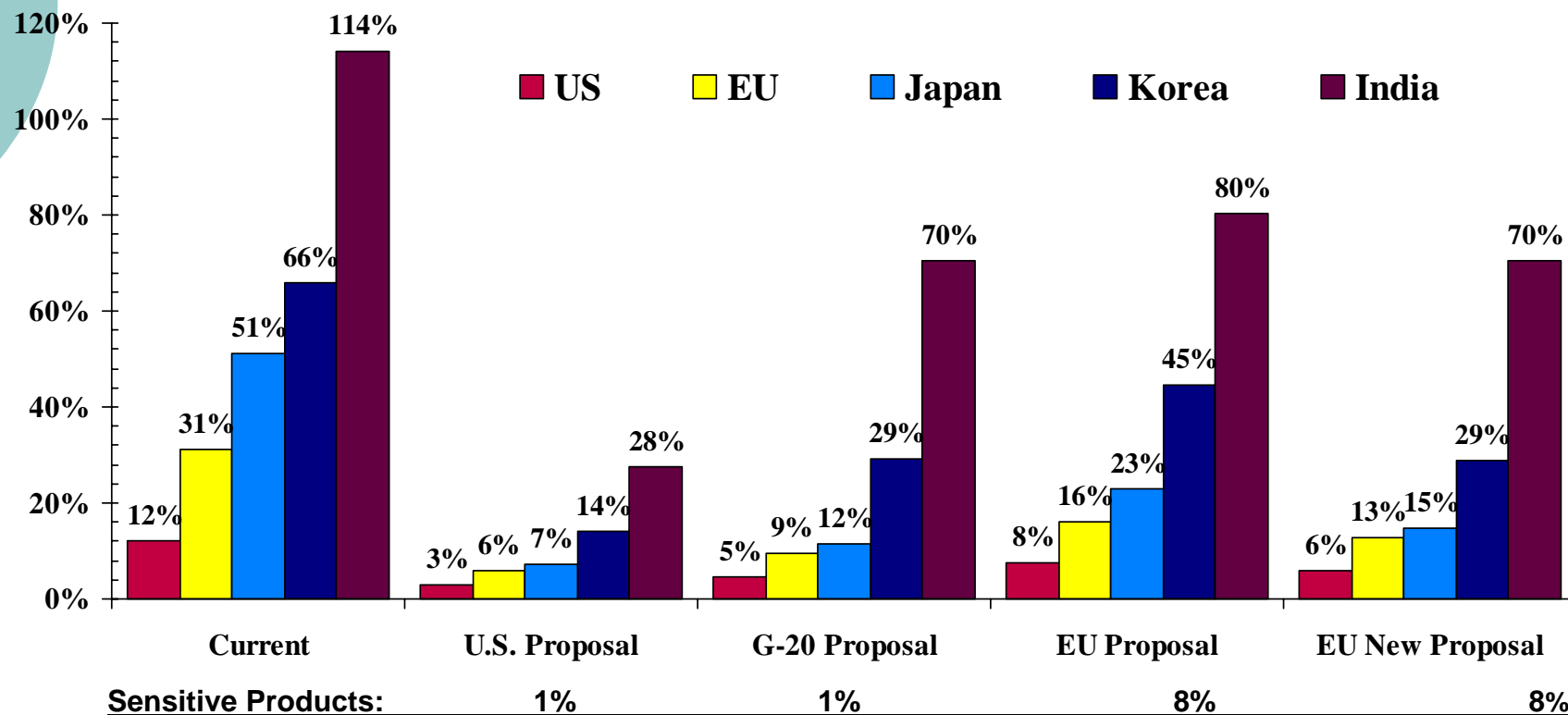


**(others have later dates)**



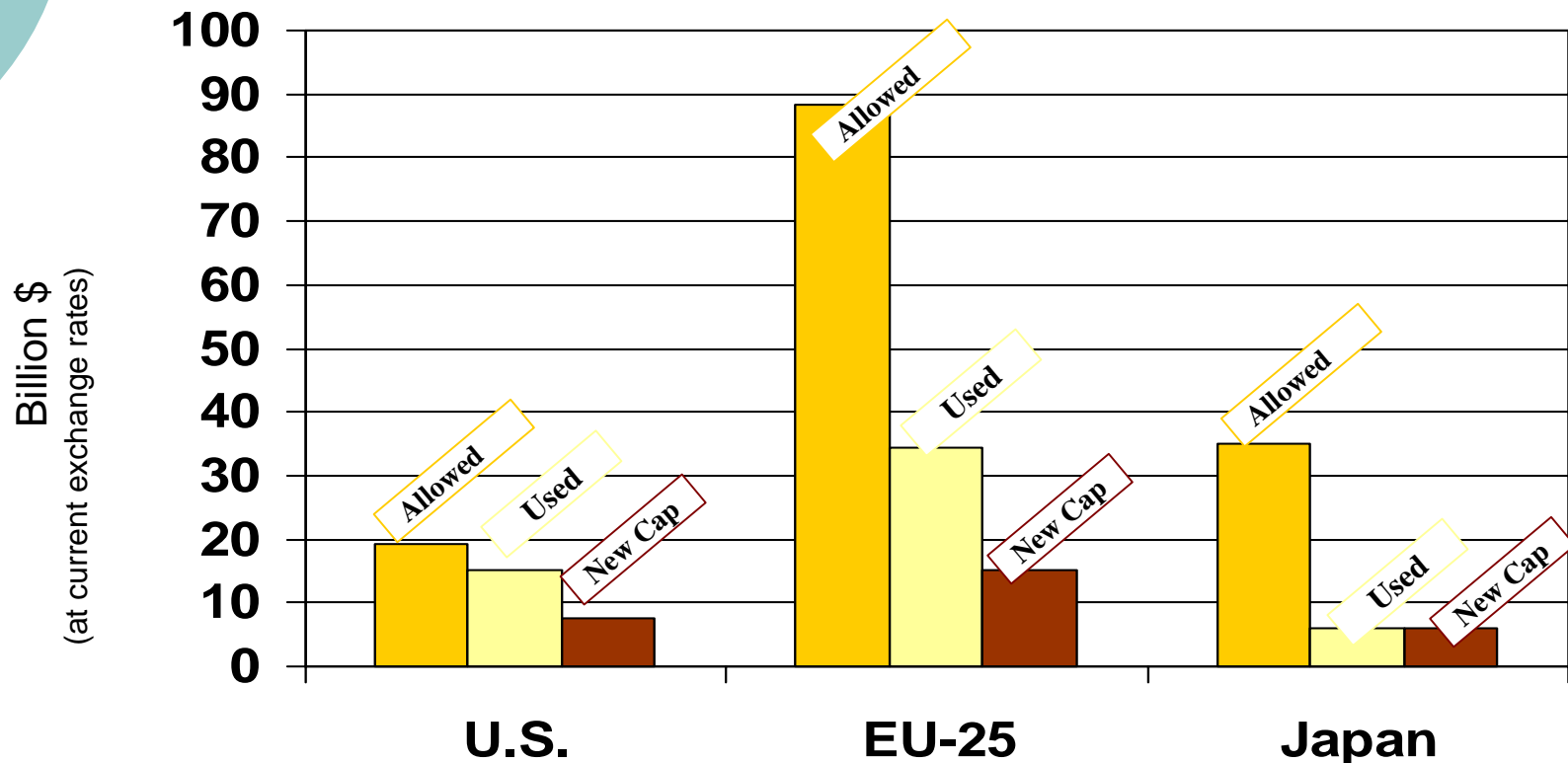
# U.S. Proposal: First Stage

## Market Access Average WTO Allowed Ag Tariff



# U.S. Proposal: First Stage

## Domestic Support



## EU Counter Proposal – Oct. 27, 2005

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- “Disappointing” - lacks ambition on **market access**
- Cuts tariffs in highest band **60%** -- U.S. proposed **90%**, G-20 proposed **75%**
- **8%** of all tariff lines as sensitive products – U.S. **1% of dutiable lines** – **G20 1%**

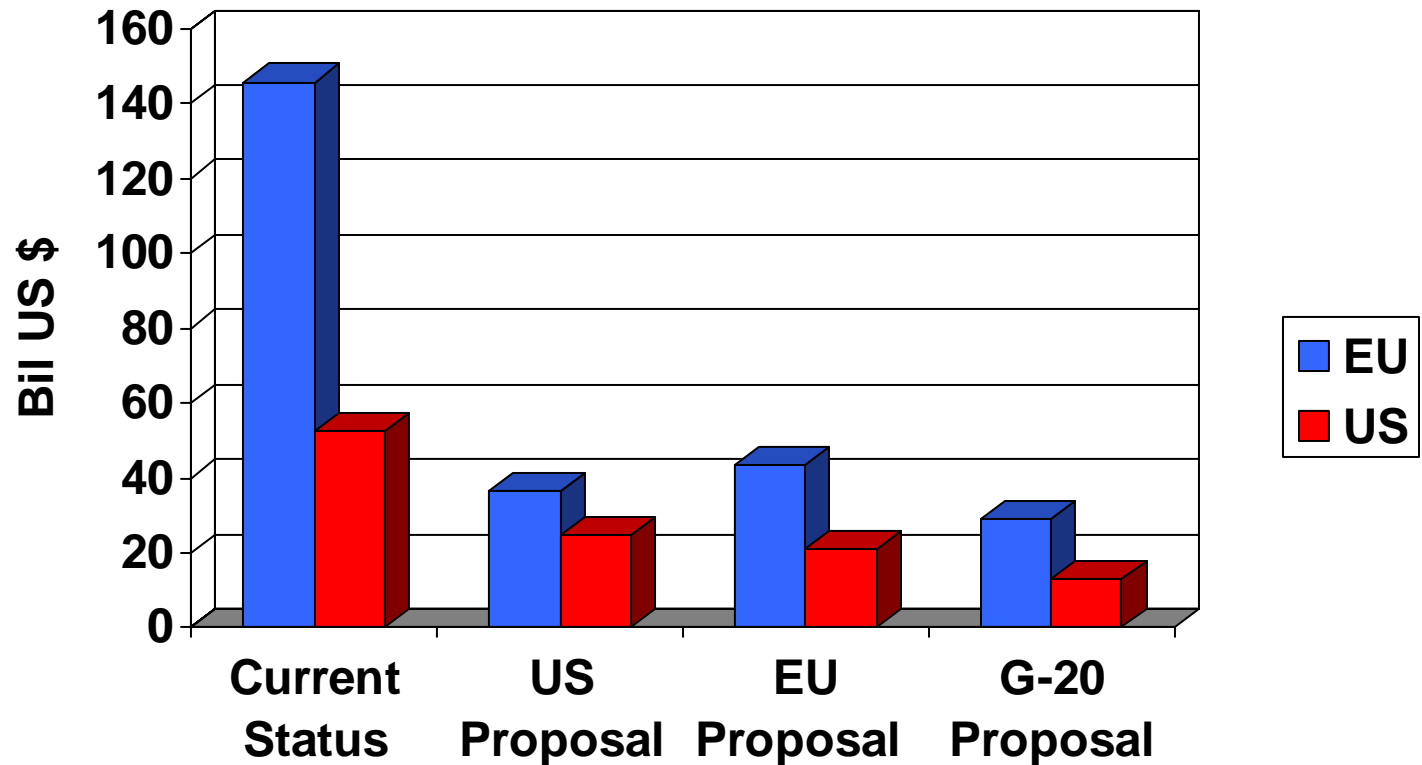


## EU Counter Proposal – Oct. 27, 2005

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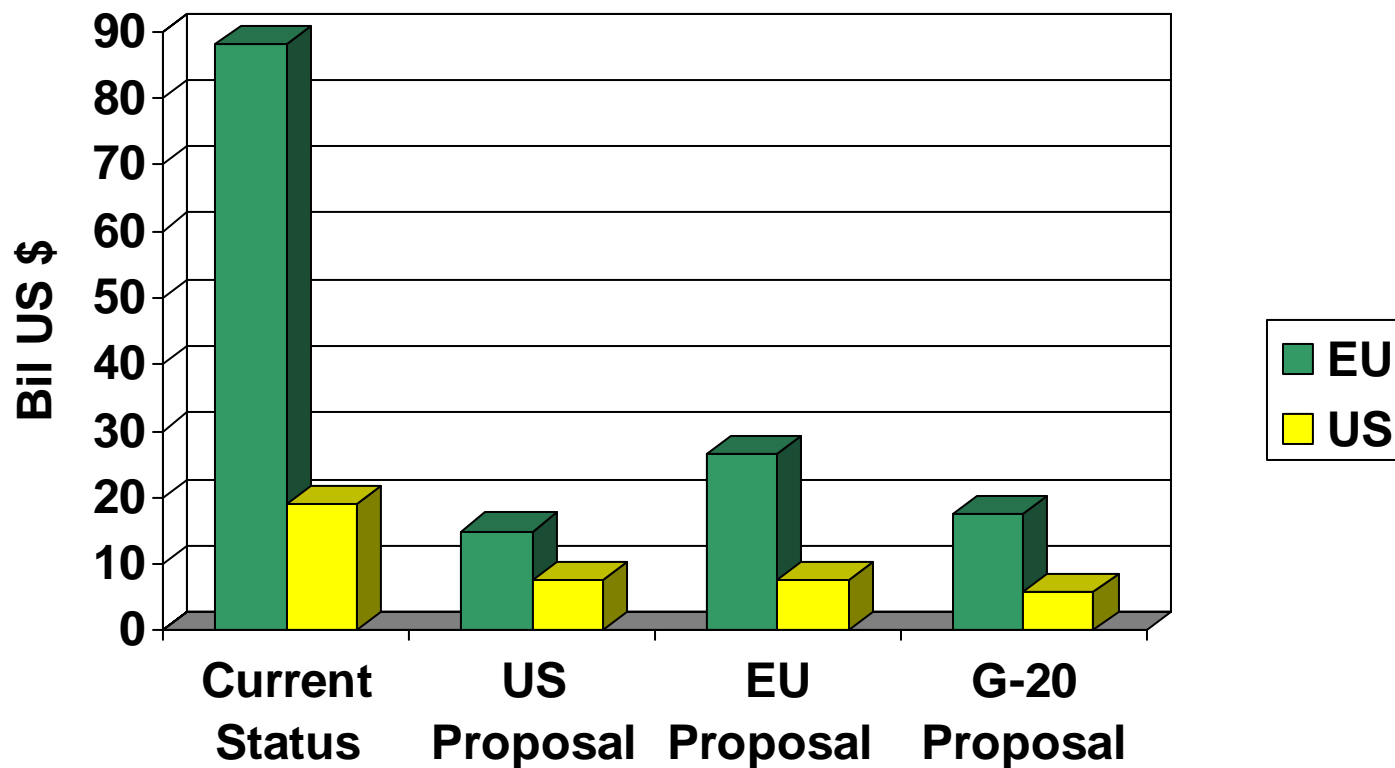
- **Domestic support**, cut AMS **70%**
- Would leave AMS more than **three** times the amount of AMS U.S.--  
**\$26.7** billion versus **\$7.6** billion for U.S.

# Overall Trade-Distorting Domestic Support Limits in Various Proposals



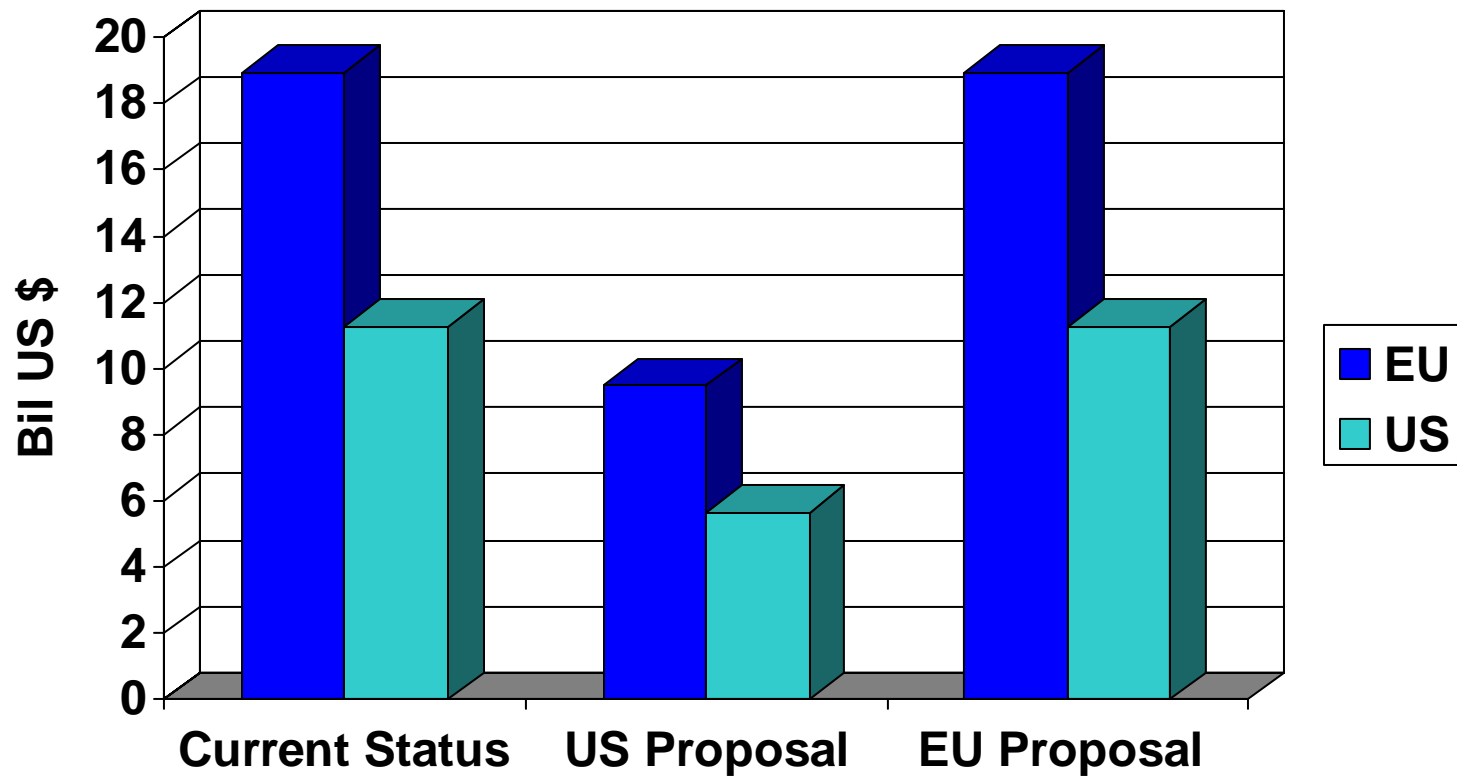
\$1.22 = 1 euro

# Amber Box Support Limits



\$1.22 = 1 euro

# Blue Box Support Limits



\$1.22 = 1 euro



# Where to From Here?

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- Time running out
- Nov. 7 & 8 meetings are last chance to get ag agenda on track
- Requires global pressure on the EU to show flexibility
- EU must match level of ambition of U.S.





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